Clingendael International Energy Programme

Regulatory challenges & energy policy

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ECT best practices workshop; Brussels, 12-05-2004

Content

- Regulation of energy markets
    - one IEM
- energy policy issues
    - energy supply security
    - environment

Regulatory issues

The objective: internal & external EU trade in electricity & gas

- Within and between (national) TSO-systems
- Crossing national and/or TSO-borders
- Secure & consistent external supply relations
- Fair IEM level playing field with:
  - Sound and effective economic principles
  - Domestic network tariffs: access to entire IEM-system

The means:

- Madrid & Florence: rules & regulations where necessary

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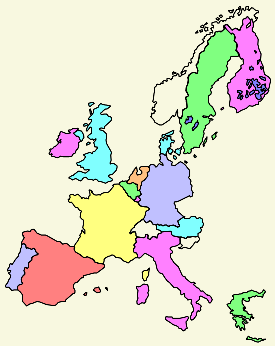
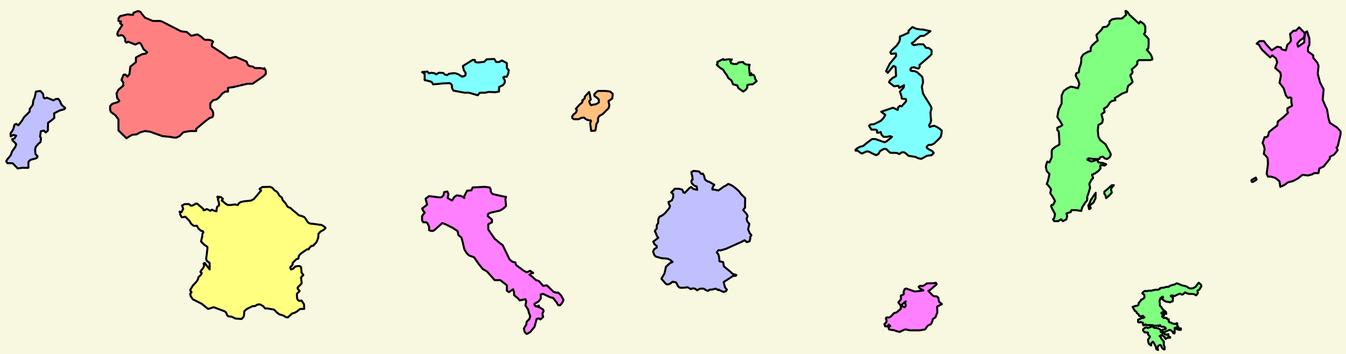
The market challenge

A single european free market in gas & electricity



Or ...



Including ...EU-25....?

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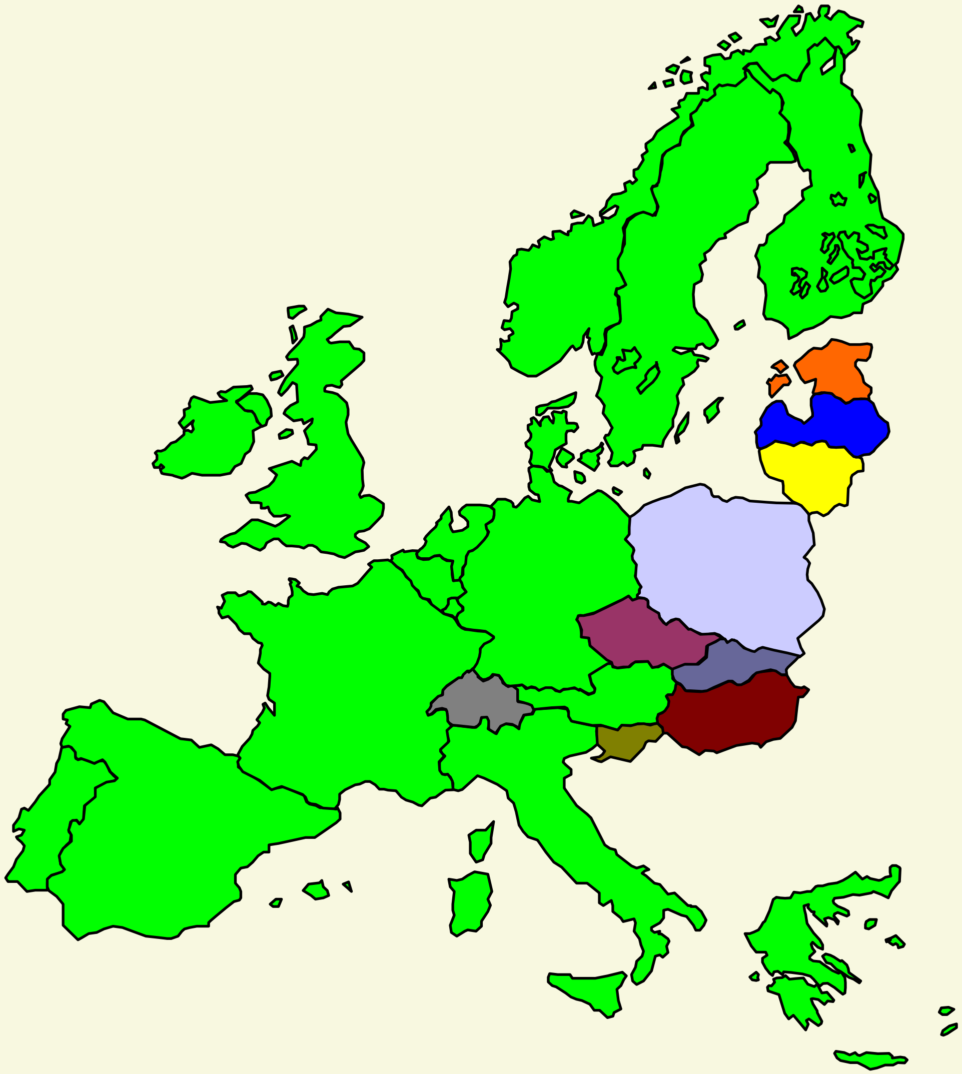
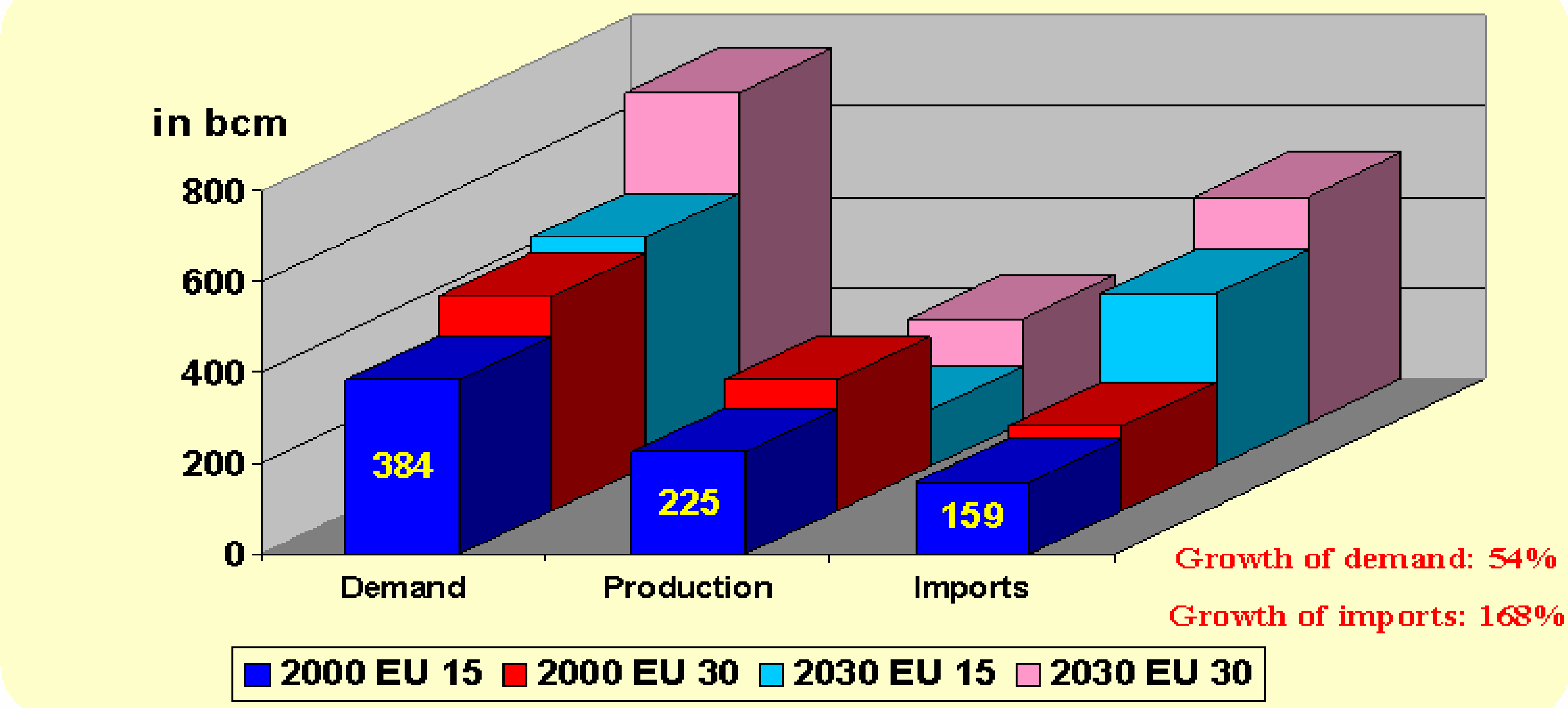


EU-30 gas balance

EU30 - Demand and Supply



2010 Supply Scenarios

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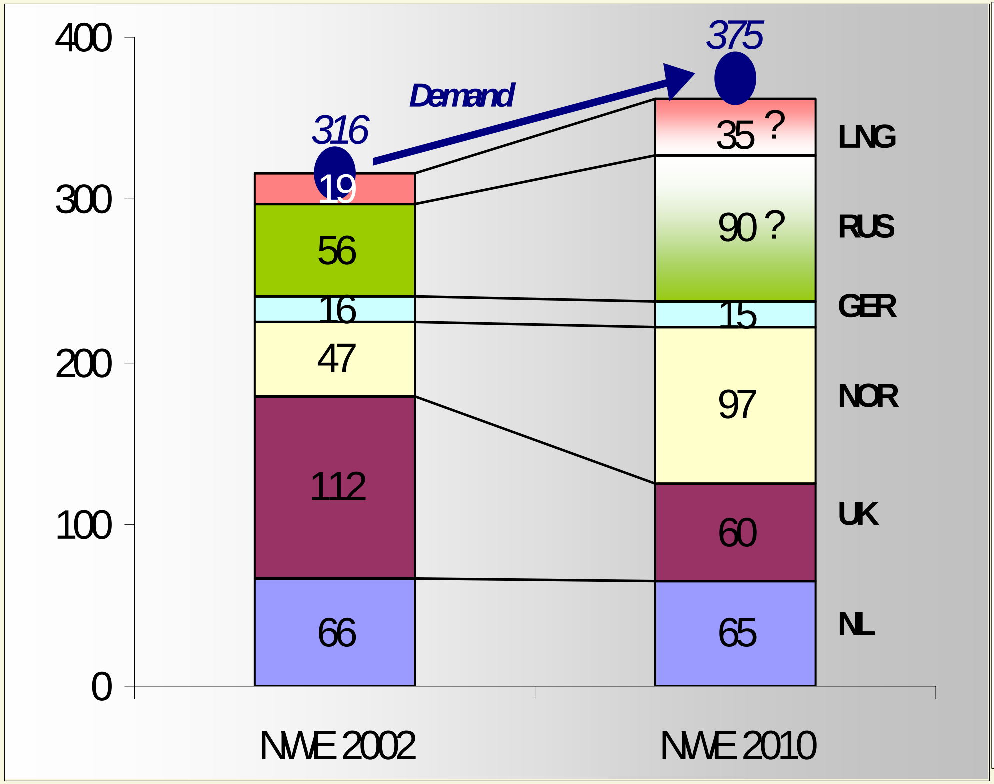
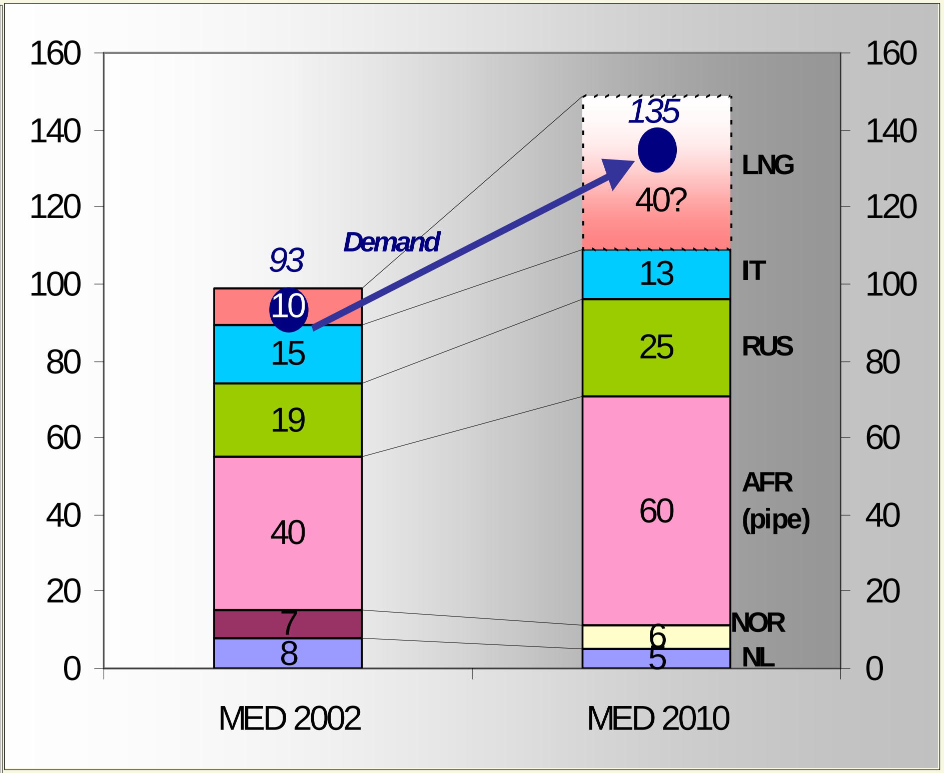
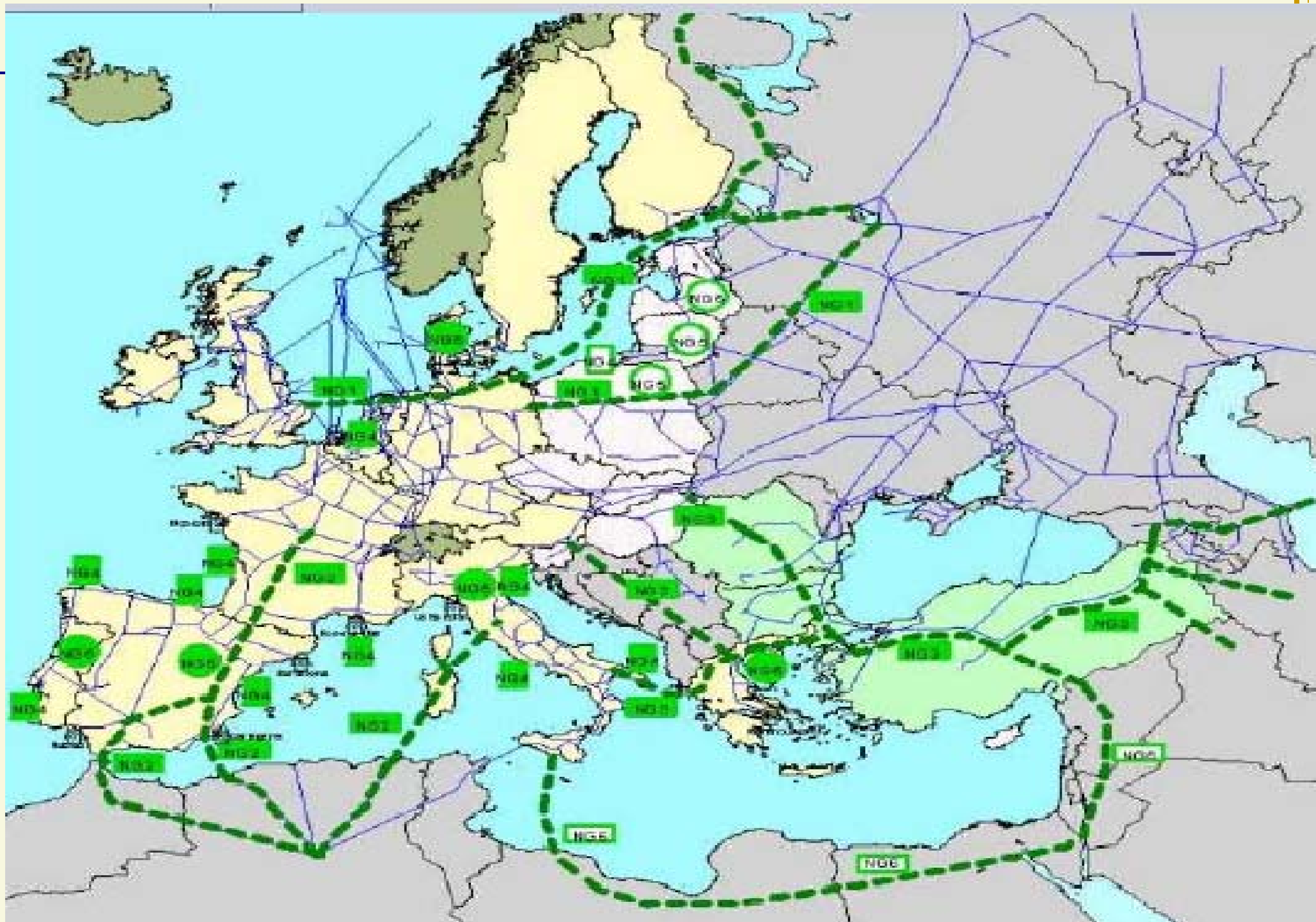




Source: CIEP, 2004

EU-TEN: priorities gas



Supply policy gas

- Seeking P/C dialogues:
- the role of LT-contracts
- regulatory frameworks new infrastructures
- EU-mechanism gas supply crisis?

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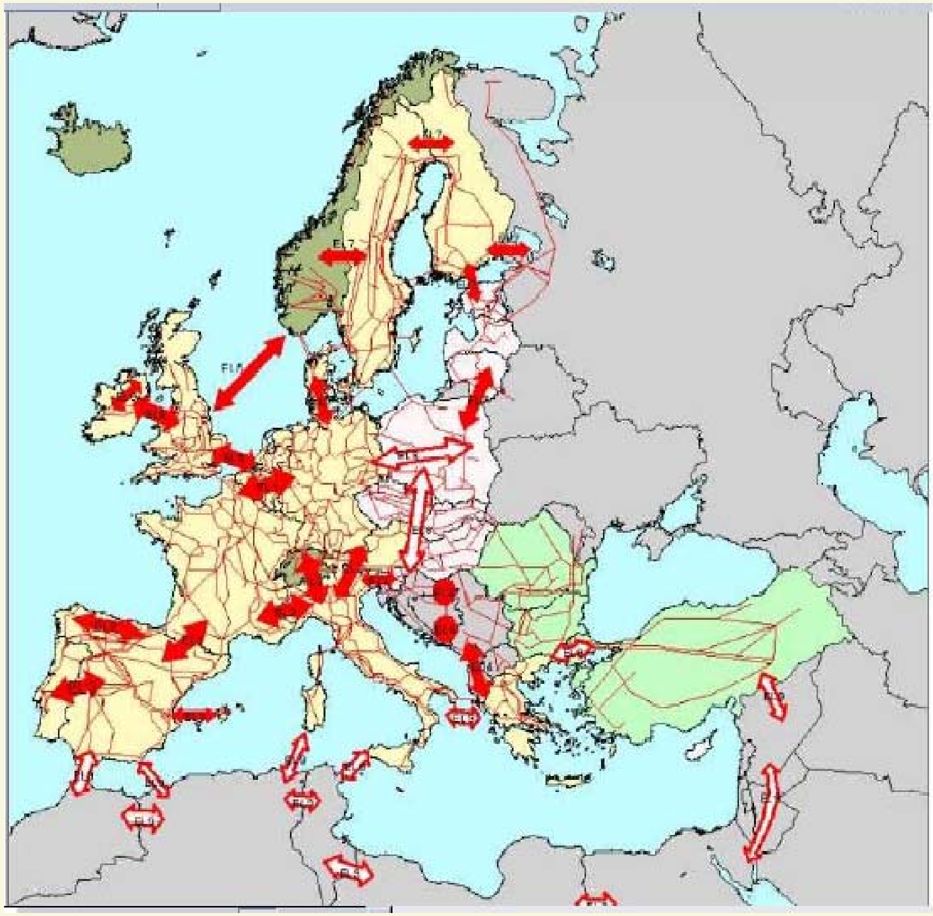
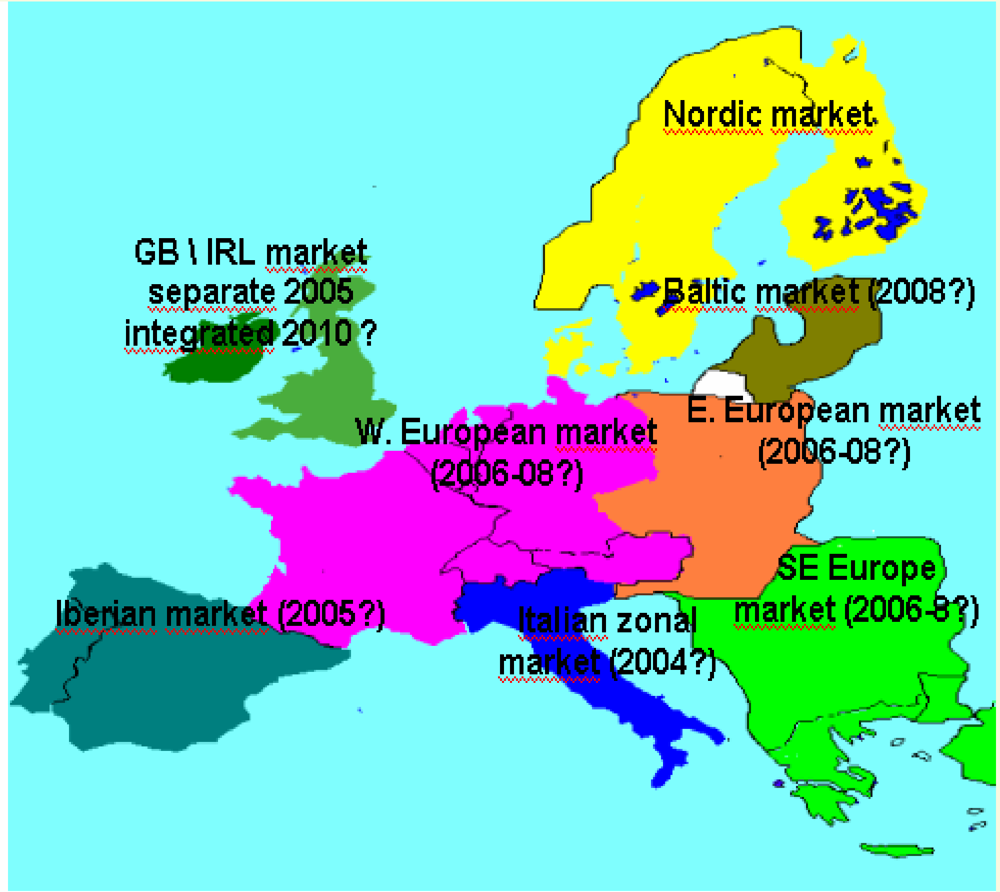
EU regional electricity markets & TEN-priorites





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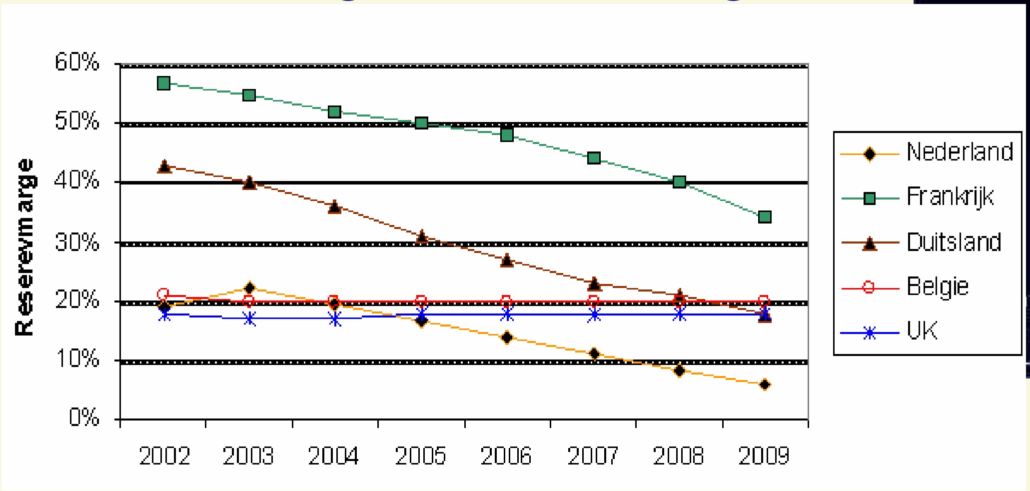
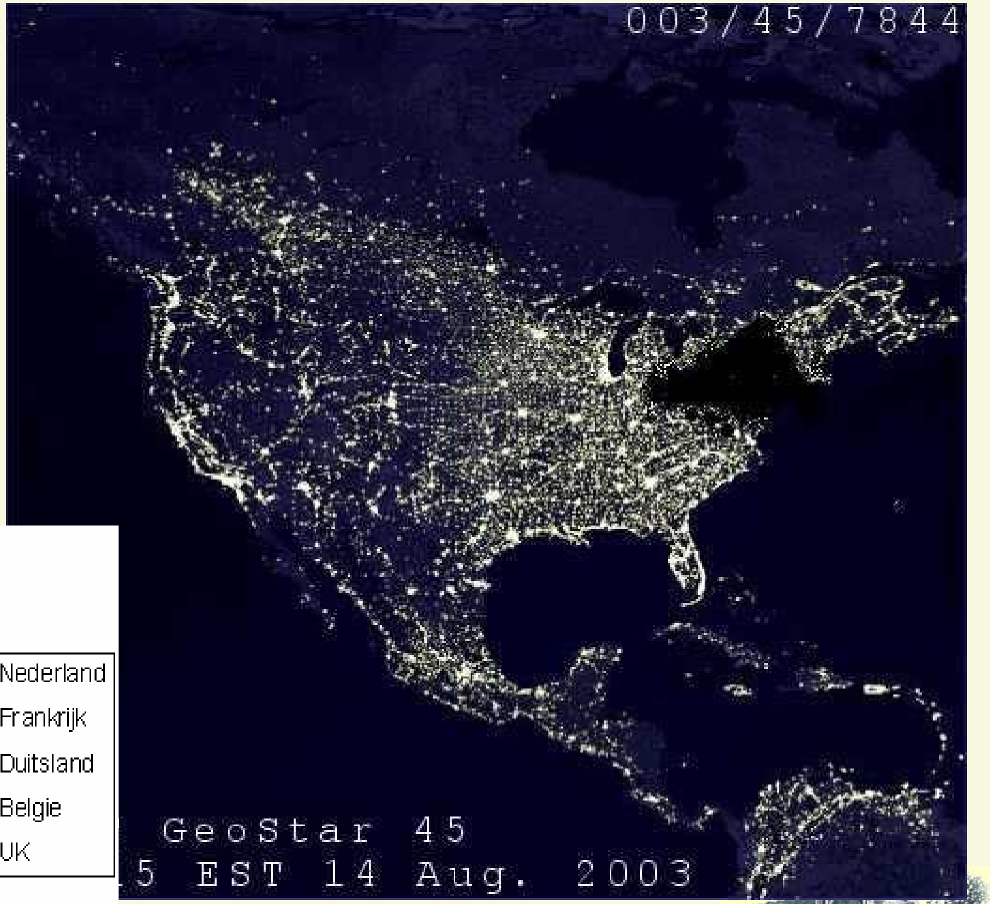
Electricity supply risks?

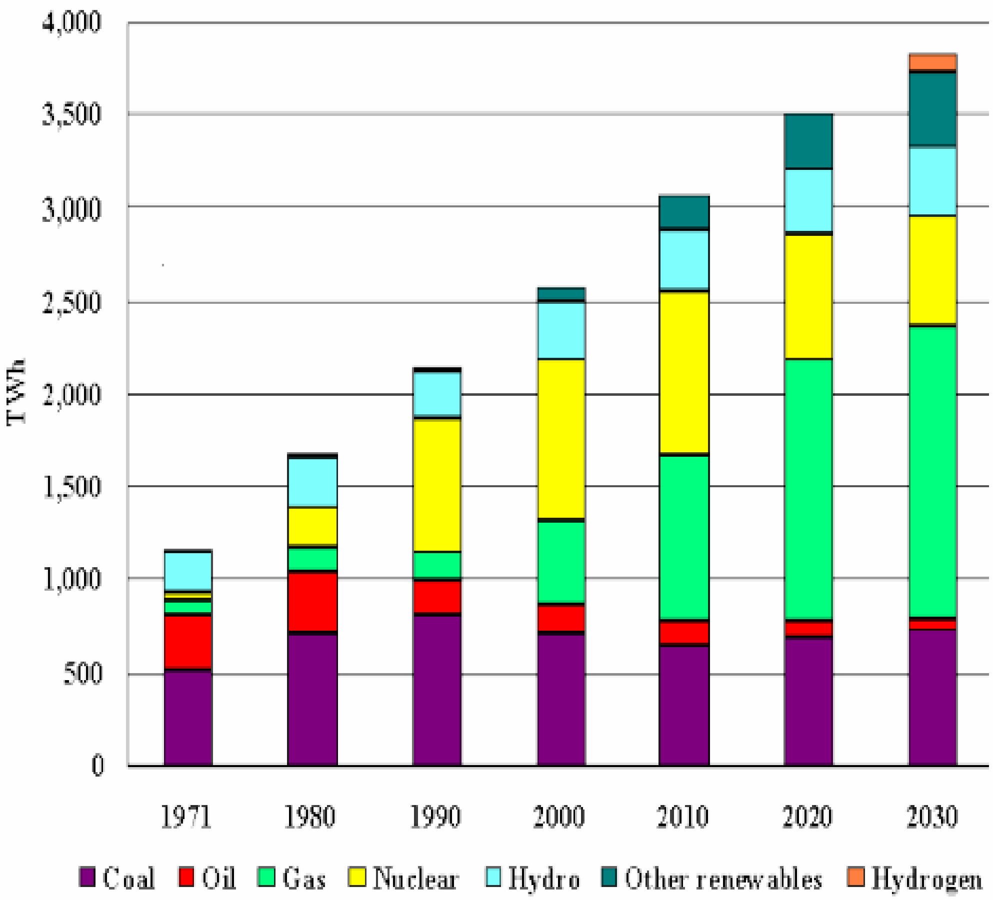
- EU # US-NE ?
- Mandatory reliability rules
- EC supply package 12-2003
- declining reserve margins



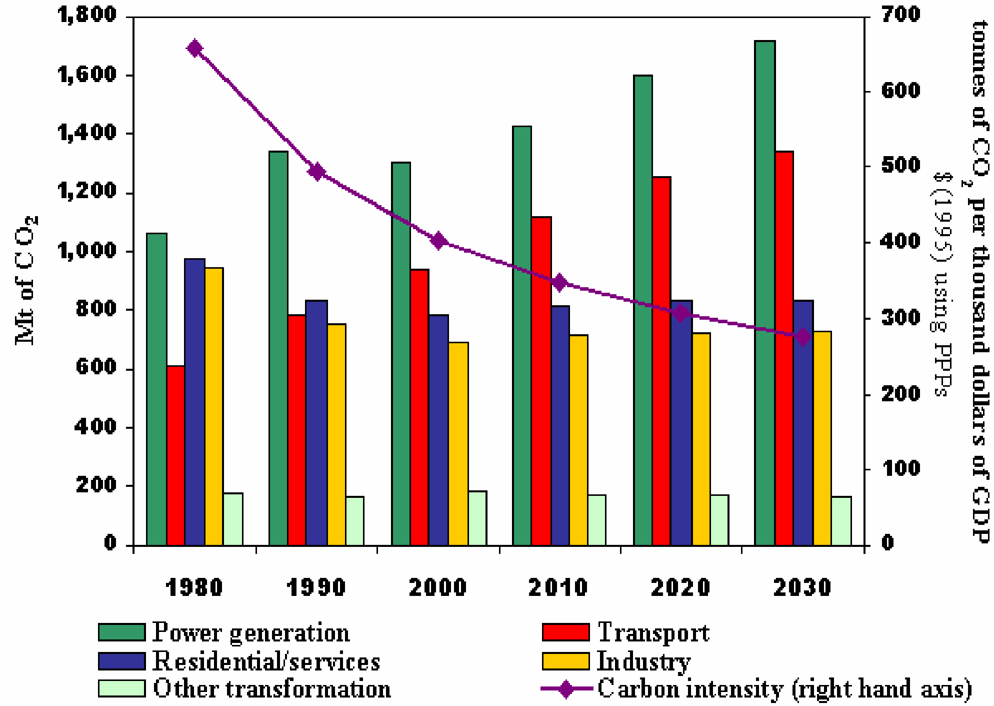


Environmental issues

3. EU: Electricity-Generation



CO2 Emissions and Intensity in OECD Europe



The power & transport sectors drive up emissions, but carbon intensity continues to drop

Drivers & prospects ETS

Facts:

- **ETS 01.01.2005**
- **ETS, 60% emissions covered by ESI**
- **EU energy market is fragmented**

What market ?

- **Buyers or sellers, who is who;**
  - **2005/2007: 2-3% shortfall just administrative ?**
- **Trading market or compliance market ?**
- **Government-marketparties ?**
- **Liquidity ?**
- **Market segmentation ?**

The overall policy balance ?

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Market

Supply

Greenhouse

EU ⇔ OPEC/Gaspec ?/ Russia/ME

EU ⇔ USA/Asia

Kyoto & beyond

Transition, when and to what

Our friend,the atom ?

Conclusions

- Basic legal framwork for IEM is completed
- challenges for implementation:
  - cross border trade development
  - competitive market to be further fostered
- balance market policy & supply
- overall policy balance needed